



LEGISLATIVE FINANCE COMMITTEE

58TH Montana Legislature

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HOUSE MEMBERS

GARY FORRESTER, CHAIRMAN
JOHN BRUEGGEMAN, SECRETARY
ROSALIE BUZZAS
DAVE KASTEN
DAVE LEWIS
MONICA LINDEEN

SENATE MEMBERS

KEITH BALES, VICE CHAIRMAN
RICK LAIBLE
EMILY STONINGTON
JON TESTER
JOE TROPILA
TOM ZOOK

MINUTES

November 16, 2004
Room 102, State Capitol
Helena, Montana

ROLL CALL

Sen. Keith Bales
Senator Rick Laible
Senator Jon Tester
Senator Joe Tropila
Sen. Tom Zook
Rep. John Brueggeman
Rep. Rosalie Buzzas
Rep. Dave Lewis
Rep. Monica Lindeen
Clayton Schenck, Legislative Fiscal Analyst
Diane McDuffie, Committee Secretary

ABSENT

Sen. Emily Stonington
Rep. Gary Forrester
Rep. Dave Kasten

Call to Order (Tape 1A-001)

Senator Keith Bales, Vice Chairman, called the 191st meeting of the Legislative Finance Committee (LFC) to order at 8:00 a.m. on Tuesday, November 16, 2004. The meeting was held in Hearing Room 102 of the State Capitol, Helena, Montana.

1. Approval of Minutes for June October 7-8, 2004 (Tape 1A-0013)

Senator Laible asked for clarification regarding the estimated costs of the statewide public defender system noted on page 4. Mr. Schenck said the amount should be \$27 million instead of \$27,000. **Senator Tropila** moved that the minutes of the June 17-18, 2004 meeting be approved with the correction noted above. **VOTE:** The motion carried unanimously.

Clayton Schenck, LFA, announced that upon adjournment there would be a reception for outgoing LFC members, Sen. Zook, Sen. Stonington, Rep. Lewis, Rep. Kasten, and Rep. Forrester.

(Tape 1A-061)

Chuck Swysgood, Director, Office of Budget and Program Planning (OBPP) reported to the committee that the budget is complete and the projected ending fund balance is \$163 million. This balance will allow the next administration and legislature the flexibility to address other issues that will arise in the next biennium.

David Ewer, Governor-Elect Budget Director, expressed appreciation to Mr. Swysgood for doing an excellent job in preparing the budget and is looking forward to working with the committee.

2. State General Fund Revenue Outlook (Tape 1A-130)

Terry Johnson, Principal Fiscal Analyst, provided a slide presentation on the State General Fund Outlook. (Exhibit 1) These recommendations will be presented to the Revenue and Taxation Committee for adoption at its meeting today. His presentation provided information on revenue estimate recommendations, 2005 biennium outlook, 2007 biennium outlook, what happened, and a summary.

Mr. Johnson explained that the individual income tax includes the affects of SB 407 and continues to be the largest general fund source of revenue. Because of the increase in cigarette taxes, consumption taxes are becoming a larger portion of the general fund and have been added to Figure 1 on page 2. Items included in consumption tax are: cigarette taxes, tobacco taxes, liquor taxes, and video gaming taxes. The table on page 4 shows a beginning fund balance for the 2007 biennium of \$191.2 million. Revenue estimates for the 2007 biennium will be about \$2,905.7 million and present law disbursements included in the executive budget recommendations are \$210.0 million. This projected balance is based on revised revenue estimates for fiscal 2005 and incorporates revenue trends observed during fiscal 2004. Mr. Johnson responded to questions from LFC members.

3. Potential Agency Cost Over-runs/Supplemental Requests (Tape 1B-237)

Taryn Purdy, Principal Fiscal Analyst, presented an update on the Potential Agency Cost Over-runs/Supplemental Requests. (Exhibit 2) Ms. Purdy reported that the Governor has included requests for FY 2005 supplemental funding for six agencies: 1) Judiciary; 2) Corrections; 3) Governor's Office; 4) Commissioner of Political Practices; 5) Justice; and 6) DPHHS.

Ms. Purdy reported that the number of children for which the state can receive federal funding participation was recently determined to be fewer than anticipated, resulting in a shortfall in funding. (See memo from Pat Gervais, LFD, Exhibit 2a) The issue with unexpected foster care costs prompted a lengthy discussion with explanations provided by Pat Gervais, LFD and Shirley Brown, CFSD.

Rep. Buzzas commented that this has severely compromised the ability to get foster parents.

4. Global Fiscal Issues: LFC Recommendations to the 2005 Legislature (Tape 2A-001)

Jon Moe, Fiscal Specialist, presented a report on Global Fiscal Issues: LFC Recommendations to the 2005 Legislature. (Exhibit 3) The report provides options for a procedural framework for the legislature in dealing with global fiscal issues, issues that impact the deliberation of most, if not all, agency budgets.

Issue: Choosing a starting point for the subcommittees that include the base budget and statewide present law adjustments. (See page 3, Exhibit 3) **MOTION: Rep. Lindeen** moved the LFC adopt Option a. **VOTE:** Motion carried unanimously.

Issue: How should monetary adjustments to each budget be calculated when FTE funding is added or eliminated? (See page 3, Exhibit 3) **MOTION: Rep. Lewis** moved the LFC adopt Option a. **VOTE:** Motion carried unanimously.

Issue: Vacancy Savings. (See page 4, Exhibit 3) **MOTION: Senator Tester** moved that the LFC adopt Option a. **VOTE:** Motion carried unanimously.

Issue: Fixed Costs. (See page 4, Exhibit 3) **MOTION:** **Senator Zook** moved that the LFC adopt the Recommendation. **VOTE:** Motion carried unanimously.

Issue: Inflation/Deflation. **MOTION:** **Rep. Lindeen** moved that the LFC adopt the Recommendation. (See page 5, Exhibit 3) **VOTE:** Motion carried unanimously.

The following issues relating to House Bill 2 procedure were presented to the committee: (See page 5, Exhibit 3)

1) How will changes in HB 2 that are dependent upon the passage of other bills be made? **MOTION:** **Senator Tester** moved that the LFC adopt Option c. **VOTE:** Motion carried unanimously.

2) Disposition of “Negative” New Proposals Recommendation. **MOTION:** **Rep. Buzzas** moved that the LFC adopt the Recommendation. **VOTE:** Motion carried unanimously.

5. Applying the LFD Interim Projects (Tape 2A-424)

Taryn Purdy, Principal Fiscal Analyst, presented a report on Applying the LFD Interim Projects. (Exhibit 4) This report briefly addresses several interim projects for discussion purposes: 1) growth project; 2) agency profiles/inventory; 3) budgeting methodologies; and 4) business process reviews. Attached to this report is an example of the agency profile for Department of Fish, Wildlife & Parks. (Exhibit 4a) The primary goal of this project is to contribute tools that aid the legislature in exploring the question of, what do we want to do and for whom, and what are we trying to accomplish.

It was the consensus of the committee to move forward with this project.

6. Overview of Medicaid Redesign (Tape 2B-211)

Lois Steinbeck, Senior Fiscal Analyst, provided an Executive Summary and a slide presentation on Medicaid Redesign. (Exhibit 5 & 5a) Ms. Steinbeck discussed the basic components of the HIFA Waiver, HIFA “Refinance”, HIFA-Expanded Services, and HIFA Expansion/Cost Neutrality, waiver of “deeming”, long-term care policies, other redesign recommendations, redesign legislation and management practices. Gail Gray, Director, DPHHS and Lois Steinbeck responded to various questions from LFC members.

7. Committee Bill Drafts Final Approval/Sponsor Assignment (Tape 3A-140)

Jon Moe presented the following committee bill drafts: 1) (LC0552) LFC bill to fold “5 percent base reduction plan”; and 2) (LC0512) LFC bill to establish a “rainy day fund”. (Exhibits 6 & 7)

Amy Sassano, OBPP, expressed concern that it is unclear where and how the 5 percent reductions would be included and that it is not appropriate to include things in the budget that the Governor does not recommend. Ms. Sassano said that OBPP could include the 5 percent reduction in a reference section.

MOTION: Senator Laible moved to adopt LC0552 (5 percent reduction). **VOTE:** Motion carried.

Senator Liabe volunteered to sponsor the bill.

MOTION: Rep. Buzzas moved to adopt LC0512 (rainy day fund). **VOTE:** Motion carried unanimously. **Rep. Buzzas** volunteered to sponsor the bill.

Clayton Schenck explained that the bill draft for DPHHS budget status report submission is a language change to amend 53-5-110(4) that is supported by DPHHS and concurred in by LFD staff. The committee approved this change at the last meeting. This bill is in the drafting process. **MOTION: Rep. Buzzas** moved to make this a committee bill and that Vice-Chairman Bales will determine the sponsor. **VOTE:** Motion carried.

Clayton Schenck presented the committee bill draft (LC0277) eliminating the authority for intercap loans (Exhibit 8) and the Findings and Recommendations from the Legislative Audit Division. (Exhibit 8a) **MOTION: Rep. Lewis** moved to defer this issue to the Legislative Audit Committee. **VOTE:** Motion passed unanimously.

8. Operating Plan Changes (Tape 3B-082)

Taryn Purdy presented the Budget Amendments and Operating Plan Change. (Exhibits 9 & 10) She informed the committee that no action is required as these reports are informational only with no issues identified by LFD staff.

9. LFD 2007 Biennium Budget Development: Update (Tape 3B-104)

Mr. Schenck reported to the committee that the executive budget has been completed and commended the budget office on their efforts to finish ahead of schedule. Mr. Schenck told the committee that he anticipates completion of our budget analysis by December 20th. It will be available to the legislature by December 27th.

Rep. Buzzas asked Mr. Schenck if staff has looked into the cost of an adequacy study in regards to the school funding lawsuit. Mr. Schenck said the study would likely cost between \$300,000 and \$500,000 and may take up to six months. Mr. Schenck pointed out that lawmakers couldn't start any study until they meet the court's requirements to define a quality education and its components, and those issues must be decided by the full Legislature.

Senator Laible asked what direction should the committee take on this issue in order to meet the October deadline. Mr. Schenck said that Leadership has to initiate a decision as to what their process will be to solve the situation and/or what the interim process will be to resolving it this session versus next session. LFD staff is ready to assist as soon as they know what direction the legislature will take.

10. General Fund Status Sheet (3B-374)

Clayton Schenck presented an example of the general fund status sheet (GFSS) for the 2005 Legislative Session with a list of proposed issues for consideration by the Legislative Finance

Management Committee. (Exhibit 11) He compared the GFSS to a personal checkbook register, which tracks the state's financial condition as the legislature adjusts revenue flows and appropriates funds during the session. Mr. Schenck went over the details of the GFSS and answered questions from LFC members.

10. Committee Business (Tape 3B-366)

Mr. Schenck reported that there was no committee business.

Next LFC Meeting

The next meeting of the LFC will be an organizational meeting tentatively scheduled for June 16-17, 2005.

Adjournment

MOTION: Representative Lindeen moved to adjourn. **VOTE:** Motion carried unanimously.

Meeting adjourned at 2:30 p.m.

Senator Bales, Vice Chairman

Diane McDuffie, Committee Secretary